

In the Matter of

No. G 97 - 31

The Financial Examination of

**FARMERS NEW WORLD LIFE
INSURANCE COMPANY**

An authorized insurer.

)
)
)
)
)
)

FINDINGS, CONCLUSIONS, AND
ORDER ADOPTING REPORT OF
EXAMINATION

BACKGROUND

An examination of the financial condition of **FARMERS NEW WORLD LIFE INSURANCE COMPANY** (the Company) as of December 31, 1995, was conducted by examiners of the Washington State Office of the Insurance Commissioner. The Company holds a Washington certificate of authority. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on April 4, 1997. The company did not respond to the draft report. The Company did not request a hearing.

The Commissioner or a designee has considered the report, and the relevant portions of the examiner's work papers.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained in pages 9 through 28 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **FARMERS NEW WORLD LIFE INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions, Comments, and Recommendations section of the report. The instructions in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is Ordered as follows, these being the Instructions, Comments, and Recommendations contained in the examination report on pages 6-8:

1. The Company is instructed to present to its Board of Directors for ratification, all real estate transactions made on its behalf by Farmers Group, Inc.
2. It is recommended that the Company execute a written agreement with Farmers Group, Inc., for the allocation of investments and other overhead expenses.
3. It is recommended the Company obtain an amendment to its Global Custodial Agreement with Chase Manhattan Bank, dated October 11, 1994, to include language regarding "obligations to indemnify for loss" or "prompt replacement in case of loss."
4. It is recommended that the Company calculate reserves for its ten year term policies using the anticipated premium patterns established in RCW 48.74.040(1).
5. It is recommended that the Company increase reserves for its ten-year term plans above the $\frac{1}{2} c_x$ basis currently used.
6. It is recommended that the Company confirm that the difference between the net premiums and reserves based on the increasing death benefit plans and the premium and reserves based on the level death benefit plan is not material. If the difference is material, the Company should adopt a reserving method that conforms to Washington law.

ENTERED at Lacey, Washington, this day of October, 1997.

DEBORAH SENN
Insurance Commissioner

By:

JAMES T. ODIORNE
Deputy Insurance Commissioner
Compliance-Enforcement/Company Supervision